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ABSTRACT

The effects of the GI Bill on veteran's readjustment to civilian life and on the educational community are examined in an effort to determine if (1) benefit levels should be changed; (2) the time that veterans must complete their training or school should be extended; and (3) benefits for attending flight and correspondence school should be eliminated. The basic GI Bill benefit is a monthly stipend intended to cover at least part of school tuition and living expenses. Various forms of the bill and the benefits received from them since 1944 are discussed with specific attention to the post-Vietnam era. Comparisons are provided between the income levels, educational levels, and employment levels of veterans and nonveterans. It is concluded that the participation rate for black veterans exceeds that of white veterans and that veterans have higher employment rates and educational levels than nonveterans. The GI Bill influences the educational community because it increases the number of students and increases the flow of federal money to educational institutions. Figures for veteran enrollment by type of institution, and revenue from GI Bill students by type of institution are projected for fiscal years 1978 through 1983. Comparison of the GI Bill with other federal student grant programs are also included. The pros and cons concerning benefit levels, the time limit on receiving benefits, and benefits for flight and correspondence school are presented. (BH)

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Veterans' Educational Benefits: Issues Concerning the GI Bill

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October 1978



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Congress of the United States
Congressional Budget Office

VETERANS' EDUCATIONAL BENEFITS:

ISSUES CONCERNING THE GI BILL

The Congress of the United States

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NOTE

All dates referred to in this paper are calendar years,
except where school years or fiscal years are noted.

PREFACE

Each year, the Congress faces a number of recurring issues concerning the educational benefits available to veterans under the GI Bill. This paper, prepared at the request of the Subcommittee on Postsecondary Education of the House Committee on Education and Labor, examines the effects of the GI Bill on veterans' readjustment to civilian life and on the educational community. Specifically analyzed are proposals to alter the level and structure of benefits.

Lawrence A. Wilson, of CBO's Human Resources and Community Development Division, prepared this paper with the research assistance of Paul Warren, under the supervision of Robert D. Reischauer and David S. Mundel. Al Peden of CBO's Budget Analysis Division provided the cost estimates and valuable advice. The author also wishes to thank the many reviewers of earlier drafts, particularly George Arnstein, Steven Chadima, Janice Grassmuck, Robert Hale, Ilona Rashkow, Darla Schecter, Alair Townsend and the staffs of the House and Senate Committees on Veterans' Affairs, and the House Subcommittee on Postsecondary Education. Special thanks go to Ann Carruthers, Jill Bury, and Martha Anne McIntosh who patiently and expertly prepared the paper for publication and to Johanna Zacharias who edited the manuscript.

In accordance with the Congressional Budget Office's mandate to provide objective and impartial analysis, this paper offers no recommendations.

Alice M. Rivlin
Director

October 1978

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SUMMARY

Educational benefits provided under the GI Bill are intended to help veterans readjust to civilian life. Indirectly, the program also provides significant amounts of support to educational institutions. Whether the program as currently structured is fulfilling its purposes and whether, if modified, the program would be more effective are questions now confronting the Congress.

Some 1.4 million veterans received GI Bill benefits in fiscal year 1978 at a cost to the federal government of \$3.1 billion. In general, veterans who entered the service before 1977 and who were released after September 1968 are eligible for these benefits, which are administered by the Veterans Administration (VA). (Veterans who entered the service after 1977 are eligible for very different educational benefits, which are not examined in this paper.)

The basic GI Bill benefit is a monthly stipend intended to cover school and living expenses at least partially. Single veteran students who study full time receive \$311 per month. Veterans with dependents receive higher stipends. The average annual benefit is \$2,200. Veterans are entitled to up to 45 months of benefits, depending on their length of service, if they attend colleges, or vocational, secondary, correspondence, or flight schools. ^{1/} The size of the benefit is not based on need (other than family size); veterans of equal service and family size receive equal benefits regardless of their financial status or the prices of the schools they attend.

THE GI BILL AND READJUSTMENT

Whether there is a continuing need for readjustment benefits, and if there is a need, whether the GI Bill is meeting it properly, are unclear. On average, Vietnam Era veterans, except

^{1/} Benefits for on-the-job and farm training are not examined in this paper.

for younger ones, are better off than similarly aged nonveterans in terms of income, educational achievement, and unemployment rates. Young veterans, however, have lower incomes (for those aged 20 to 24) and higher unemployment rates (for those aged 20 to 29), than their nonveteran counterparts.

At present, the GI Bill appears to be furthering the readjustment of certain disadvantaged persons. This is indicated by the fact that the participation rate of nonwhite veterans slightly exceeds that of white veterans. The current pattern contrasts with the early years of the Vietnam Era program, when nonwhites had low participation rates. But it is consistent with findings that disadvantaged veterans tend to participate in the program later after their release from service than do other veterans.

Available, evidence indicates that participation in the present GI Bill program has been valuable to veterans. The data suggest that:

- o About one-third of the veterans who have enrolled in school may not have done so without the GI Bill.
- o About 60 percent of veterans complete their educations.
- o About two-thirds of veterans report that they use their education on their jobs.
- o College and vocational school education are good investments for veterans. Correspondence school students, however, experience no increases in their incomes.

OTHER EFFECTS OF THE GI BILL

Although the GI Bill is considered a readjustment program and, as such, is distinct from other student aid programs, it does affect the educational community and other student aid programs. The other effects include the following:

- o Because the GI Bill induces veterans to attend school, postsecondary school enrollments are raised by about three percent.
- o The tuition and fees resulting from this increased enrollment will account for about one percent of the

tuition received by colleges and universities in 1978-1979. The total amount of GI Bill money going to post-secondary schools will come to \$504 million in 1978-1979.

- o The GI Bill will wind down in the future; the share of enrollments accounted for by GI Bill-induced veteran students will fall to one percent by 1983, and revenues from such students will fall to less than one percent.
- o Although private schools only enroll one-quarter of the veterans, they receive one-half of the funds spent on tuition by veterans enrolled under the GI Bill.
- o The net effect of the GI Bill is to increase slightly the demand for other student aid funds. For example, in 1978-1979 some 94,000 veterans will receive Basic Educational Opportunity Grants, at a cost to the federal government of about \$80 million. Without the GI Bill, the number of veteran BEOG recipients would decrease to 89,000, but the total cost would remain about the same.

CONCERNS AND POSSIBLE CHANGES

- o Benefit Levels and Tuition Costs. Because the GI Bill benefits are not based on the costs of tuition, some people say that veterans in states with higher-price public schools have less opportunity to attend school and participate in the GI Bill program than veterans in states with lower-price public schools. The argument is whether the GI Bill should provide equal benefits for equal service (as it does now, except for family size) or equal opportunities for equal service.

Veterans in high-tuition states enroll in school less frequently than do those in low-tuition states, but differences in tuition costs account for less than one-third of the state-to-state variations in enrollment rates. Thus, even if benefits were effectively equalized by being adjusted to tuition costs, substantial state-to-state differences in participation rates would remain.

The Congress is currently considering an increase in benefit levels to take account of inflation; this would cost about \$300 million. Alternatives to a flat, across-the-board increase

would give larger benefits to veterans attending higher-priced schools.

One alternative tuition assistance plan would be to increase benefits by a fixed fraction (say 50 percent) of tuition costs over a certain threshold cost (say \$500) but less than a maximum tuition (say \$1,500). Under a second alternative, veterans could be allowed to accelerate their entitlement--that is, take some of their future benefits at once instead of over a period of years--in order to meet tuition costs over a similar threshold. Participating veterans would have their amount of entitlement reduced at the rate of one month for every \$311 (the monthly stipend amount of accelerated entitlement used). A very limited version of this provision is now in place.

If adopted, a tuition-assistance program would slightly increase the opportunities for some veterans to use the GI Bill, but veterans with equal periods of service and equal family sizes would then receive unequal benefits. A typical tuition-assistance proposal could cost about \$320 million in 1979, of which schools would receive about \$70 million in extra tuition and fees. Some 60,000 more veterans would probably attend school because of the bill's higher benefits.

An accelerated entitlement program would also slightly increase educational opportunities and, in theory, retain equal benefits (aside from dependent allowances) for equal service. An accelerated entitlement plan for tuitions over \$1,000 would cost the government about \$260 million in 1979, of which schools would receive about \$60 million in extra tuition and fees. About 40,000 more veterans would attend school because of the new benefits.

- o The Delimiting Period. Because benefits were very low in the early years of the Vietnam GI Bill program, some people feel that the time veterans have to use their benefits (the delimiting period) should be extended. The original eight-year delimiting period was already extended by two years in 1974 in response to this problem.

Prior to 1972, benefits were substantially below the current level when measured in constant dollars. The current 10-year delimiting period made all veterans eligible for the higher-level benefits during at least four years. Anyone released after 1966 was eligible during more than four years of the higher-level benefits.

Any additional increase in the delimiting period would move the GI Bill even further away from its purpose as a readjustment program. A two-year extension for all post-Korean Conflict and Vietnam Era veterans would increase enrollments by about 500,000 additional veterans released from the armed forces between 1956 and 1968. This increase would require \$1 billion additional support in fiscal year 1979. Of this amount schools would receive about \$205 million in additional tuition and fees.

- o Correspondence and Flight Training. These kinds of training, some people contend, are a waste of the government's resources and the veterans' money and time.

Correspondence schools have the lowest completion rates and among the lowest skill-use rates of all GI Bill training programs. They also do not, on average, improve the earnings of their students. But correspondence training is also the least expensive kind of schooling the GI Bill supports, and it costs the veteran little in tuition (the VA pays 90 percent), foregone earnings, or convenience. If correspondence training were eliminated, about 66,000 veterans would be affected and the GI Bill costs would decrease by about \$32 million.

The evidence on the effects of flight training is less clear cut. One survey (conducted by the General Accounting Office) indicates that it too has low completion and skill-use rates. But another (done by the VA) indicates that it has one of the highest completion and skill-use rates of all GI Bill programs. If flight training benefits were eliminated, 27,000 veterans would be affected at a savings of about \$48 million.

CHAPTER I. INTRODUCTION

Near the close of World War II, the Congress enacted a program to provide educational assistance benefits for veterans. The program has come to be known as the GI Bill. This step marked the first involvement of the federal government in direct student assistance. Since the passage of the first GI Bill, the Congress has altered the program substantially, but it continues to be the largest federal student aid program.

In 1978 and 1979, the Congress faces three main questions about the future character of the GI Bill:

- o Should benefit levels be changed--that is, increased to keep pace with inflation or to provide higher benefits to veterans attending costlier schools?
- o Should the time veterans have to complete their training, called the "delimiting period", be extended?
- o Should benefits for attending flight and correspondence school training be eliminated from the program?

In addition, there is the persistent issue of making sure the program is well integrated with other student aid programs.

This paper examines these questions and analyzes the costs and effects of alternative Congressional actions. As background, the paper discusses the role the GI Bill has played in the return--called the "readjustment"--of veterans to civilian life. It also attempts to gauge the effects of the GI Bill on the educational community.

GI BILLS

Since 1944, more than 14 million veterans have received educational benefits under three different GI Bills administered by the Veterans Administration (VA): the World War II Bill (Public Law 78-346) covering veterans who served between September 1940 and July 1947; the Korean Conflict Bill (Public Law

82-550) covering veterans who served between June 1950 and January 1955; and the present Post-Korean Period and Vietnam Era Bill (Public Law 89-358) covering veterans in the service between February 1955 and December 1976. 1/ People entering the service after December 31, 1976, are eligible for very different benefits under the Post-Vietnam Era program (Public Law 94-502). 2/

The Vietnam Era Bill

When the Vietnam Era GI bill was established in 1966, its benefits were intended to serve four purposes. First, it was intended to enhance and improve the attractiveness of military service. Second, it was designed to provide access to higher education to persons who might otherwise be unable to afford it. Third, it was meant to provide vocational readjustment and to restore lost educational opportunities to those whose careers had been interrupted or impeded by active service. And last, it was supposed to aid such persons in attaining the vocational and educational status they might normally have attained had they not served in the Armed Forces. 3/ For this analysis, the third and fourth goals will be treated as one: aiding the readjustment of veterans.

Veterans who were on active duty for more than 180 consecutive days and who were discharged under conditions other than dishonorable are entitled to one and one-half months of educational assistance for every month of service. After 18 or more months of continuous service, a veteran is entitled to 45 months of assistance. Because benefits must be used in the 10 years immediately following the release from service (the delimiting period), only veterans who were discharged after September 1968

1/ Those individuals who signed up for the Deferred Enlistment Plan before January 1, 1977, are eligible for benefits under the Vietnam Era Bill.

2/ Because of the significant differences between the Vietnam Era and the Post-Vietnam Era bills, the latter is not included under the rubric of "GI Bill." In this paper, the Vietnam Era Bill only will be referred to as the GI Bill.

3/ P.L. 89-358.

are still eligible. No benefits under the current GI Bill can be used after December 31, 1989.

The principal educational benefit under the GI Bill is the educational assistance allowance that veterans receive if they attend any VA-approved educational institution, whether public, private, secondary, postsecondary, vocational, or technical. The allowance is the same regardless of the institution's fees or the veteran's income, and it is meant to meet, in part, both educational and living expenses. Hence, a veteran going to a low-price school has more benefit money left for living expenses after paying tuition. The only adjustable factor in the benefit is an allowance for the number of dependents in the recipient's family (see Table 1). Veterans who have not completed elementary or secondary school, or those who wish to take remedial courses in order to qualify for postsecondary courses, may receive assistance allowances while enrolled in such courses without reducing the number of monthly benefits to which they are entitled.

TABLE 1. DOLLAR AMOUNTS OF GI BILL BENEFITS ^{a/} ACCORDING TO NUMBER OF DEPENDENTS AND AMOUNT OF STUDY TIME: 1978

Study Time	Number of Dependents			
	0	1	2	Each Additional
Full Time	311	370	422	26
Three-Quarter Time	233	277	317	19
Half Time	156	185	211	13

SOURCE: Veterans Administration.

^{a/} Benefits for institutional training.

Certain veterans may also receive VA assistance for tutoring without reducing their monthly benefits. And they may participate in work/study programs in which the VA pays the minimum wage (currently \$2.65 per hour) for appropriate service. Eligible veterans may also borrow up to \$2,500 per academic year at government-subsidized interest rates. Benefits are

provided for farm cooperative training, on-the-job training, 3/ correspondence courses, and flight training, at different rates than for institutional instruction.

The Post-Vietnam Era Readjustment Program

With the end of hostilities in Vietnam and the initiation of the all-volunteer armed forces, a modified readjustment assistance program was initiated: the Post-Vietnam Era Veterans' Readjustment Assistance program. This program, which applies to ex-service personnel who joined the military on or after January 1, 1977, 5/ is intended to make military service more desirable and to provide financial assistance to veterans who wish to attend school. 6/ Under this program, the VA matches (up to a limit) contributions by service personnel on a two-to-one basis.

Since the post-Vietnam program is so new, different, and small (in fiscal year 1978 only 37 actually trained under it), this paper focuses on its predecessor, the Vietnam Era GI Bill. As the pool of veterans eligible for Vietnam Era GI Bill benefits declines in the future, however, the post-Vietnam program will come under closer scrutiny because the educational community will look to the new program to make up for the declining revenues from the Vietnam Era program, and because of the program's effect on all-volunteer force enlistments and possible national youth service programs. 7/

4/ Because on-the-job and farm training benefits are so different from the other education programs, they are excluded from the analysis. These programs account for about 8 percent of the beneficiaries and about 7 percent of the benefits.

5/ See Footnote 1 in this chapter.

6/ P.L. 94-502.

7/ See Congressional Budget Office, The Effects of National Service Programs on Military Manpower and Civilian Youth Problems, January 1978.

The Flow of Funds from the Current GI Bill

In fiscal year 1977, \$3.5 billion was spent on veterans' educational benefits under the GI Bill--a result of the enrollment of 1,752,183 (30 percent) of the veterans eligible for benefits. Veterans attending college represented 12 percent of all college students.

In the future, there will be a steady fall in the number of veterans eligible for and actually receiving GI Bill benefits. As the eligible veteran population shrinks, the costs of the program will also decline (see Table 2). By 1983, assuming that

TABLE 2. PROJECTED DECLINE IN GI BILL BENEFICIARIES AND COST:
FISCAL YEARS 1977-1983

	1977	1979	1981	1983
Beneficiaries (in Millions):				
Vietnam Era GI Bill				
Eligible Veterans	6.0	5.0	3.5	2.5
Beneficiaries	1.8	1.2	0.9	0.5
Post-Vietnam Era Program				
Eligible Veterans	0	0.2	0.8	1.4
Beneficiaries	0	0.002	0.030	0.069
Costs (in Millions of Dollars):				
Vietnam Era GI Bill				
Outlays	3,500	2,900	2,300	1,700
Tax Expenditures	300	200	100	100
Post-Vietnam Era Program				
Outlays	0	1	31	70
Tax Expenditures	0	N/A <u>a/</u>	N/A	N/A

SOURCES: U.S. Department of the Treasury; Veterans Administration; and CBO estimates.

NOTE: Beneficiary and outlay estimates assume benefits will increase with inflation.

a/ Data not available.

the level of benefits keeps pace with inflation, the costs of the program will fall to \$1.7 billion, a drop of almost 50 percent.

In addition to direct expenditures, the tax exempt status of veterans' benefits constitutes a tax expenditure or a loss of Treasury tax revenues. This revenue loss amounts to about \$300 million in 1977 and will fall to \$100 million in 1983.

The decline of the GI Bill program will be partially offset as the post-Vietnam Era program grows. By 1983, about 69,000 veterans will be participating, at a federal cost of \$70 million.

Because a large majority of veterans training under the GI Bill attends college, by far the greatest share of bill funds go to college students (see Table 3).

TABLE 3. PERCENTAGE DISTRIBUTION OF GI BILL RECIPIENTS AND FUNDS BY TYPE OF TRAINING INSTITUTION: FISCAL YEAR 1977

Type of Training Institution	Recipients	Funds
College	73	79
Vocational-Technical	10	9
Correspondence	5	1
Flight	2	2
High School	2	2
On-the-Job and Farm	8	7

SOURCE: Veterans Administration, General Operating Expenses, Benefit Appropriations and Funds, Vol. I, Fiscal Year 1979, adjusted.

In a pattern similar to that of nonveterans, most veterans attend low-price public schools (see Table 4). About half of all veterans training full time under the GI Bill attend schools that charge less than \$500 a year for tuition. Furthermore, public school enrollees account for nearly 80 percent of all the recipients.

TABLE 4. COMPARISON OF TRAINING COSTS TO VETERANS AND ALL STUDENTS STUDYING FULL TIME: 1977-1978 SCHOOL YEAR

	Tuition and Fees (in Dollars) a/				
	0-499	500-999	1,000-1,999	2,000 and Over	Total
<u>Percent of Enrollees</u>					
In Public Schools					
Veterans	46.4	29.2	1.8	0.7	78.1
All Students	37.5	31.4	4.3	0.2	73.4
In Private Schools					
Veterans	2.2	7.9	7.3	4.3	21.7
All Students	0.5	1.4	7.9	16.8	26.6
Total					
Veterans	48.6	37.1	9.1	5.0	100.0
All Students	38.0	32.8	12.2	17.0	100.0

SOURCE: Veterans Administration, Veterans Administration Study of Proposed Tuition Assistance Programs, House Committee on Veterans' Affairs, 94 Cong. 2 sess. (1976), and unpublished data from the U.S. Department of Health, Education, and Welfare.

a/ The tuitions were inflated to 1978 dollars using the CBO Higher Education Cost Index.

CHAPTER II. THE EFFECT OF THE GI BILL ON READJUSTMENT

The GI Bill now has two general purposes: aiding veterans' readjustment, and improving their access to higher education. (A third purpose--improving the attractiveness of the military--is no longer applicable since new enlistees are eligible for educational benefits under a different program.) Before considering how well the GI Bill has done relative to its goals, one confronts the question: What is the need for readjustment help?

IS THERE A NEED FOR READJUSTMENT HELP?

An implicit assumption of the GI Bill program is that all veterans--those who were drafted and those who volunteered, those who are rich and those who are poor, those who served in combat zones and those who did not--suffered hardships. All veterans, this assumption implies, deserve readjustment benefits.

One way of judging veterans' need for readjustment assistance is comparing veterans with nonveterans. On average, veterans of all races have higher incomes and higher levels of educational attainment (see Table 5), and lower unemployment rates than do nonveterans (see Table 6). ^{1/} This pattern can result from several causes. First, military service excludes the physically and mentally handicapped and thus excludes many people with little education and low wage rates. Also, some employers feel that the discipline and training acquired in the service makes veterans better employees; hence, veterans are sometimes given preference in hiring. In some hiring systems--one conspicuous example is the civil service--preferences for veterans are formal and absolute. Finally, the status of veterans may simply be higher because of the advantages afforded by the GI Bill.

^{1/} The racial categories used in this study are whites and nonwhites as defined in the U.S. Bureau of the Census, Survey of Income and Education. People of Hispanic heritage are included in the white category. The term nonwhite applies to blacks (which may include some persons of Hispanic heritage), Asians, Native Americans, and other racial minorities.

TABLE 5. COMPARISON OF INCOMES AND EDUCATIONAL ATTAINMENT OF VETERANS AND NONVETERANS BY RACE a/

	Median 1978 Dollar Incomes of Nonstudents <u>b/</u>	Average Number of Years' Education Attained By Nonstudents <u>c/</u>
Nonwhites		
Veterans	10,960	12.4
Nonveterans	8,080	11.6
Whites		
Veterans	14,520	12.9
Nonveterans	11,920	12.8

All Races		
Veterans	\$14,250	12.9
Nonveterans	11,310	12.6

SOURCE: U.S. Bureau of the Census, Survey of Income and Education, (SIE), 1976, adjusted.

a/ Data are for males aged 20 to 34. See footnote 1/, page 9 for the definition of whites and nonwhites.

b/ Incomes are estimated and exclude government transfer and GI Bill payments.

c/ 1976 data.

Some veterans, however, are definitely disadvantaged. The unemployment rate for veterans under 30 exceeds that of young nonveterans, and the average income of veterans under 25 falls below that of nonveterans (see Table 6). 2/ The unemployment rate among younger veterans may be higher because they, unlike

2/ The pattern of veterans in the 20 to 34 and 30 to 34 age groups having lower unemployment rates than nonveterans, and veterans aged 20 to 29 having higher unemployment rates has remained essentially unchanged on an annual basis since 1973.

other youths, have higher eligibility for unemployment compensation based on their time in the service, and thus they are able to take more time in job search. It is not possible to determine the absolute impacts of this possibility, however.

TABLE 6. UNEMPLOYMENT RATES AND INCOMES OF VIETNAM ERA VETERANS AND NONVETERANS a/ BY AGE: 1978

	<u>All</u>	<u>Age Group</u>		
	20-34	20-24	25-29	30-34
<u>Percent Unemployed b/</u>				
Vietnam Era Veterans	5.1	11.4	6.4	2.9
Nonveterans	5.9	8.4	4.4	3.3

<u>Median Income (in 1978 Dollars) c/</u>				
Vietnam Era Veterans	14,250	7,400	13,700	16,850
Nonveterans	11,310	8,220	12,950	16,340

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, "The Employment Situation: July 1978," and SIE.

a/ Data are for nonstudent males.

b/ July 1978 data.

c/ Incomes are estimated and exclude government transfer payments.

THE IMPACT OF THE GI BILL

The generally better financial and employment conditions of most older Vietnam-era veterans do not necessarily prove the effectiveness of the GI Bill. The principal difficulty in assessing the program's impact is that there is little information regarding what the situation would be if there were no GI Bill. No study has examined a group of veterans immediately

after they left the service and compared that group to a matched sample of nonveterans. Similarly, no study has sought to compare the post-service behavior of veterans who are eligible for the GI Bill with that of non-eligible veterans. Some studies have shown how veterans fare after ending their GI Bill training, but one cannot discern the impact the GI Bill itself had on that training experience.

Despite the absence of ideal data, four different results of GI Bill training can be discussed: the influence of the GI Bill on enrollment decisions; the completion rates of those veterans going to school; the frequency that skills learned in training are used on the job; and the impact of training on income.

Enrollment Decisions. Many veterans who attend school would not have enrolled without the GI Bill benefits. A General Accounting Office (GAO) mail survey found that 53 percent of the undergraduate veteran students said they would not have attended school without GI Bill benefits. Because of possible biases in answering the questionnaire, however, the validity of the GAO's reported results is open to question. ^{3/} Other studies, in contrast, indicate that the GI Bill may induce between 15 and 33 percent of the beneficiaries to attend school. ^{4/} These studies, however, are based on total student populations, not just on veterans. Hence, their applicability to the veteran population is also questionable. Nevertheless, the GI Bill probably induces some enrollment, and the effect is probably somewhere in the

^{3/} The response rate was 45 percent. U.S. General Accounting Office, Veterans' Responses to GAO Questionnaires on the Operation and Effect of VA Educational Assistance Programs Under 38 U.S.C. 1657 et seq., HRD-76-158, August 11, 1976.

^{4/} For a review of several of the most recent studies, see George A. Jackson and George B. Weathersby, "Individual Demand for Higher Education," Journal of Higher Education, November/December 1975. The studies suggest that enrollments will increase by between 0.2 and 1.4 percent for every \$120 in financial aid in 1978. For the GI Bill benefits of \$2,800 per year, the effects are between 4.7 and 32.7 percent. Since the studies also show that less advantaged people are the most responsive to financial aid, the impacts on veterans are estimated to be between 15 and 33 percent.

range of 15 to 50 percent of veteran enrollment. For purposes of discussion in this paper, it is assumed that one-third of all veteran students would not attend school without the GI Bill--that is, the proportion of GI Bill-induced students is about 33 percent. 5/

Completing School. About 60 percent of all veterans who enroll complete their schooling, but whether the GI Bill has affected this rate is impossible to determine. 6/ (Completion is self-defined. Hence a two year degree counts the same as a four-year or graduate degree.) The benefits certainly may allow more students to complete their studies. But it is also possible that fewer of the students prompted by the GI Bill to attend school complete their programs than do other veterans; this would bring down overall completion rates. Comparable data are not available for nonveterans.

Using their Schooling. More than 60 percent of the veterans trained under the GI Bill report using their training on the job. 7/ Skill-use rates (which measure the proportion of veterans who either make "substantial use" of the skills learned or who are employed in the field of their training) range from a high of about 66 percent for college trainees to a low of 42 percent for correspondence trainees. Skill-use rates for training program completers greatly exceed those of noncompleters. For example, about 80 percent of trainees who completed college indicate that they use their schooling on their jobs, while only 47 percent of noncompleters report using their schooling. Again, comparable data are not available for nonveterans.

5/ Inducement estimates disregard the effects of other student aid programs. Without a GI Bill, veterans would have improved eligibility for other programs, which would affect somewhat the loss of GI Bill benefits. But since veterans tend to have higher family incomes than other students (see Chapter III), their eligibility for other student aid programs is low.

6/ Veterans Administration, Training by Correspondence Under the GI Bill, Reports and Statistics Service, No. 042A1, June, 1976. GAO, Veterans' Responses to GAO Questionnaires, adjusted. The range of the two surveys is 52-67 percent.

7/ Ibid.

Improving Earnings. The impact on earnings of GI Bill training varies among the different programs. Vocational and college training definitely affect income. Correspondence school programs do not, on average, lead to increased earnings.

The only study that compares the earnings of participants and nonparticipants matched by personal characteristics and work histories indicates that full-time, continuous, vocational and technical training have a significant impact on earnings. 8/ Veterans who attended vocational or technical schools on a full-time, continuous basis experienced a 10 percent increase in earnings over what they would otherwise have earned. This compares favorably to government manpower programs, which increase earnings by only about 5 percent. Part-time and discontinuous users, however, who constitute a small percent of vocational school students, showed smaller gains or none at all.

Blacks in particular showed substantial increases in income after GI Bill-sponsored vocational training. Whereas before training, blacks' incomes were about 15 percent below those of nonblack counterparts, after training the gap closed.

College enrollment also results in increased earnings. While in school, students forego earnings; but after leaving school, their earnings increase at a much faster rate than do the earnings of nonusers of the benefits. Three years after benefit users left school, their incomes surpassed those of the nonusers, and the differential widened subsequently. While these findings were preliminary, college education appears to be just as good an investment for veterans as it is for nonveterans.

IS THE GI BILL HELPING THOSE MOST IN NEED?

In terms of race, there is no evidence that GI Bill beneficiaries are disproportionately white, as is often supposed. In fact, the participation rate of nonwhite veterans slightly exceeds that of white veterans (see Table 7). A recent study, moreover, indicates that, for groups of equal prior education and

8/ David O'Neill and Sue Goetz Ross, Voucher Funding of Training: A Study of the G.I. Bill, (Public Research Institute, October 1976). The following discussion is also from this report.

achievement test scores, the participation rates for blacks significantly exceed those for whites. ^{9/} Aggregate participation rates of black and white veterans converge because blacks, on average, are in lower educational-attainment and achievement-test score groups, and these groups participate in the GI Bill program less than do the higher-education and test-score groups in which the whites are concentrated (see Table 7).

TABLE 7. BREAKDOWN BY EDUCATIONAL ATTAINMENT AND RACE OF VETERAN STUDENTS AND NONSTUDENTS: IN PERCENTS, 1976

	White	Nonwhite	Average Educational Attainment (In Years)
Veteran Students	88	12	13.8
Veteran Nonstudents	91	9	12.9

SOURCE: SIE.

These findings contrast with experience in the early years of the program when nonwhite had low participation rates. ^{10/} One reason for this change is that, for unknown reasons, disadvantaged veterans, tend to participate in the program later after their release from service than do other veterans. ^{11/}

^{9/} Ibid.

^{10/} Sar Levitan and Joyce Zickler, Swords Into Plowshares: Our GI Bill, (Olympics Publishing Co., 1973), and Educational Testing Service, Final Report on Educational Assistance to Veterans: A Comparative Study of Three GI Bills.

^{11/} Al Peden, "Factors Determining Entrance into GI Bill Training," (paper prepared for the 1978 annual meeting of the Southern Economic Association), and O'Neill and Ross.

OVERALL IMPACT ON READJUSTMENT AND ACCESS TO HIGHER EDUCATION

Without defined targets and measures of success, evaluating the GI Bill's achievement of its goals is difficult. Available evidence, however, indicates that the bill has been at least moderately effective in some respects. In terms of income and employment, most veterans are doing better than nonveterans. Access to higher education for veterans has definitely been improved, with about a third of all veterans attending school because of the bill. Furthermore, veterans complete and use their schooling at fairly high levels. In addition, the GI Bill has benefited both whites and nonwhites.

CHAPTER III. EFFECTS OF THE GI BILL ON THE EDUCATIONAL COMMUNITY

Because it was designed to serve primarily as a readjustment program, the GI Bill should not be thought of as just another student aid program. But neither should one overlook its effects on the educational community or on other student aid programs. This chapter examines these effects.

GI BILL AND SCHOOLS

The GI Bill influences the educational community in at least two ways. First, the program affects the number of students going to schools of all kinds. Second, it affects the flow of federal money to educational institutions.

Number and Distribution of Students. The GI Bill raises the number of veterans enrolling in schools. As Chapter II stated, something between 15 and 50 percent more veterans attend school because of the program; for purposes of analysis, the proportion of GI Bill-induced is set at about one-third. These additional students make up about three percent of the total college population (see Table 8). As the GI Bill winds down in the coming years, the share of the college enrollments made up by veterans who enrolled because of the program will decline. By fiscal year 1983, such veterans will make up only one percent of all college enrollments.

The GI Bill's impact varies for different types of schools. Since so many veterans attend community colleges (which are two-year schools), these schools are affected the most. Approximately four percent of all community college students are veterans induced by the program to attend school. The additional veterans make up only two percent of four-year college enrollments.

Although the GI Bill definitely influences the number of veterans who go to school, it has little effect on what types of schools they attend. GI Bill-induced students attend public colleges in about the same proportion as those who would have enrolled without the program, and both groups go to two-year

TABLE 8. PROJECTED DECLINE IN GI BILL-INDUCED ENROLLMENTS
BY TYPE OF COLLEGE: IN THOUSANDS, FISCAL YEARS
1978-1983

	1978	1979	1981	1983
Total	347	301	211	134
(As percent of total college enrollment)	(3.0)	(2.5)	(1.7)	(1.0)
Four-Year College <u>a/</u>	161	140	98	62
(As percent of total college enrollment)	(2.2)	(1.9)	(1.3)	(0.8)
Two-Year College	186	161	113	72
(As percent of total college enrollment)	(4.4)	(3.6)	(2.3)	(1.4)

SOURCE: CBO estimates, and National Center for Education Statistics, Projections of Education Statistics to 1985-86.

NOTE: Veteran enrollment projections assume benefits will increase with inflation. It is assumed that veterans who are induced to attend school account for one-third of the total veteran enrollment.

a/ Includes graduate students.

colleges and four-year colleges in about the same proportions (see Table 9). The GI Bill may also cause more veterans to study full time or to enroll in higher-tuition schools, but data on these effects are not available.

Amount and Distribution of GI Bill Dollars. In fiscal year 1978, of the \$3.1 billion that was spent on GI Bill benefits for veterans, approximately \$0.54 billion was used by veterans to pay their tuitions and fees. 1/ The rest went

1/ This is a maximum estimate since it assumes that veterans pay all their tuition costs with their GI Bill benefits. Other income is assumed to apply to living expenses.

TABLE 9. COMPARISON OF PERCENTS OF GI BILL-INDUCED AND NON-INDUCED VETERANS ATTENDING DIFFERENT TYPES OF COLLEGES: 1978

Type of Institution	GI Bill-Induced	Non-GI Bill-Induced	All Veterans in Schools
Public	72	68	70
Private	28	32	30

Four-Year College <u>a/</u>	44	48	46
Two-Year College	56	52	54

SOURCE: CBO estimates based on GAO and VA data.

a/ Includes graduate students.

toward living expenses. As the number of GI Bill beneficiaries falls in the future, so will the amount of GI Bill money going to schools. By fiscal year 1983, the schools' share of GI Bill funds will decline to approximately \$0.31 billion (see Table 10).

Because some of the federal money merely offsets the private funds that some veterans would have used were there no GI Bill, the net effect of the GI Bill on the revenues of schools is less than the total tuition payments of veterans. The tuition received from the students prompted by the program to go to school--the amount of new money that the GI Bill brings to the educational community--was about \$179 million in fiscal year 1978. The college portion accounted for about 1.5 percent of total college tuition and fees. By fiscal year 1983, the net amount of GI Bill money going to schools will fall to about \$102 million, with the college portion being less than one percent of total college tuition and fees (see Table 10).

The GI Bill funds are more evenly distributed among public and private institutions than are veteran students. Since the portion of total GI Bill funds going to schools in the form of tuition and fees is highly dependent on the level of tuition charges, higher-priced private schools get a share of the funds that exceed their share of the students. Half of the GI Bill

TABLE 10. PROJECTED EFFECTS OF GI BILL ON POSTSECONDARY SCHOOL REVENUES: IN MILLIONS OF DOLLARS, FISCAL YEARS 1978-1983.

	1978	1979	1981	1983
Total GI Bill Funds Going to Schools	536	504	413	305

GI Bill Funds Going to Schools from Bill-Induced Students <u>a/</u>				
Total	179	168	138	102
Colleges (as percent of colleges' tuitions and fees)	147 (1.5)	138 (1.3)	113 (0.9)	84 (0.5)
Other Postsecondary Schools <u>b/</u> (as percent of other schools' tuitions and fees)	32 N/A <u>c/</u>	30 N/A	25 N/A	18 N/A

SOURCES: CBO estimates and National Center for Educational Statistics, Projections.

NOTE: Assumes benefits and tuitions increase with inflation.

a/ Based on enrollments contained in Table 8.

b/ Other postsecondary schools include vocational and technical schools and correspondence schools. Flight schools are excluded.

c/ Data not available.

funds go to private schools, which enroll only one-fourth of the students (see Table 11). Private colleges and universities receive 43 percent of the GI Bill funds going to colleges while they account for only 18 percent of the veteran college students. Other schools, such as vocational and technical schools, which are privately controlled, receive 88 percent of the GI Bill funds devoted to all such institutions, although they

enroll only 66 percent of the veterans going to those schools. A similar pattern exists among veterans who are induced by the program to attend school. The GI Bill may also increase school revenues by inducing veterans into attending higher-priced schools than they would otherwise.

TABLE 11. DISTRIBUTION OF GI BILL FUNDS AND STUDENTS TO POST-SECONDARY SCHOOLS, BY TYPE OF INSTITUTION: FISCAL YEAR 1978

	Public Institutions	Private Institutions	All
<u>In Millions of Dollars</u>			
Total Funds	262	274	536
To Colleges	250	189	439
To Other Postsecondary Schools <u>a/</u>	12	85	97

Total Percent of Funds	49	51	100
To Colleges	57	43	100
To Other Postsecondary Schools	12	88	100

Total Percent of Veterans Enrolled	74	26	100
In Colleges	82	18	100
In Other Postsecondary Schools	34	66	100

SOURCES: CBO estimates and Veterans Administration, Veterans Benefits under Current Educational Programs, (April 1977 and Fiscal Year 1977).

a/ Other postsecondary schools include vocational and technical schools and correspondence schools. Flight schools are excluded.

HOW DOES THE GI BILL FIT IN WITH OTHER STUDENT AID PROGRAMS?

Three other major federal student grant programs include:

- o Basic Educational Opportunity Grants (BEOGs), established in 1972, to provide financial assistance to undergraduate students enrolled at least half-time in college or postsecondary vocational/technical schools. The grant amount is based on financial need. As currently authorized, the maximum grant is \$1,800, or up to 50 percent of educational costs, whichever is lower. Appropriations for the program in fiscal year 1978, however, have forced an effective maximum BEOG grant level of \$1,600.
- o Supplemental Educational Opportunity Grants (SEOGs), established in 1965 as Educational Opportunity Grants, provide assistance to undergraduate collegiate students enrolled at least half-time in a degree program. Eligibility is based on financial need as assessed by the institutional financial-aid officer. The maximum grant is \$1,500, but the SEOG grant must be at least equally matched by the institution with other forms of student financial aid.
- o Social Security Benefits for Students were enacted in 1965. These benefits provide continued social security benefits to full-time students under 22 years of age. In 1978, the average benefit will exceed \$1,900. The size of the benefit depends upon the category of eligibility of the student's family. The level of the award is not affected by the price of the school.

Veterans' educational benefits constitute the largest single student aid program, and the benefits are more generous than those granted under any other program (see Table 12). A single full-time veteran student is eligible to receive \$2,800 per school year, and more if he or she has dependents. Benefits are not based on income or school costs.

Because the GI Bill benefits are not based on need (other than family size), the funds go to a more affluent population than do the funds of other student aid programs. The majority of veterans' funds go to people whose family incomes exceed \$10,000. The greater share of BEOG and SEOG funds go to persons whose

TABLE 12. COMPARISON OF GI BILL OUTLAYS COMPARED WITH OTHER FEDERAL STUDENT AID PROGRAMS: IN BILLIONS OF DOLLARS, FISCAL YEAR 1978

Program	Outlays
GI Bill	3.1
Basic Educational Opportunity Grants	2.1
Supplemental Educational Opportunity Grants	0.3
Social Security Benefits for Students	1.4

SOURCE: CBO estimates.

family incomes are less than \$10,000. Forty-eight percent of Social Security benefits go to recipients with incomes below \$10,000 (see Table 13).

TABLE 13. FAMILY INCOME-GROUP COMPARISON OF GI BILL BENEFICIARIES AND RECIPIENTS OF OTHER EDUCATIONAL AID: IN PERCENTS, FISCAL YEAR 1978

Family Incomes in Dollars <u>a/</u>	GI Bill	SEOGs	BEOGs	Social Security
Less than 10,000	35	50	69	48
10,000 - 19,999	40	32	31	30
20,000 or more	25	13	0	22

SOURCE: CBO estimates.

a/ Incomes exclude government transfer and GI Bill payments.

Directly comparing programs without looking further at the recipient populations can be misleading, however. Veterans tend to be older than other students, and hence less likely to receive help from their parents. Being older, they also tend to have more dependents than do other students (see Table 14).

TABLE 14. COMPARISON BY AGE AND NUMBER OF DEPENDENTS OF ENROLLED VETERANS AND NONVETERANS ENROLLED IN POSTSECONDARY SCHOOLS: IN PERCENTS, 1976

	Veterans	Other Students
Age Group		
17-22	4	58
23-26	40	18
27 and Over	56	24
Average Age	(29.3)	(24.9)

Number of Dependents		
0	32	86
1	18	7
2-3	39	6
4 and Over	11	1
Average Number	(1.5)	(0.3)

SOURCE: SIE, adjusted.

To the extent they are still in need, veterans are eligible for the other student aid programs, as well as the GI Bill. In assessing veterans' eligibility, only one-half of their GI Bill benefits is counted as income; this improves a veteran's chances of receiving a Basic Grant. Approximately 8 percent of the GI Bill beneficiaries in the 1978-1979 school year will also receive BEOGs. Thus, veterans account for four percent, or 94,000 of the 2.4 million BEOG recipients. Veterans' participation in the other student aid programs is not known.

Impact of GI Bill on Other Student Aid Programs

The GI Bill affects other student aid programs in three fundamental ways. First, it lessens the financial need of veteran students. Second, it induces some previously nonenrolled veterans to enter school. And third, it probably induces some

veterans to attend higher-priced schools than they otherwise would. The first effect offsets some of the demand for other student aid funds. The second and third effects, however, may increase the demand for such funds.

The probable net effect of the GI Bill is to increase the demand for BEOGs. Without a GI Bill, fewer veterans would attend school. Hence, even though a greater proportion of veterans would receive grants (because their incomes would be lower), the total number of veteran BEOG recipients would decrease. Because the average BEOG award to veterans would increase without a GI Bill, the amount of BEOG funds going to veterans would remain about the same (see Table 15). The impact of the GI Bill on other aid programs cannot be estimated because of lack of data, but the direction of the effect would probably be similar.

TABLE 15. EFFECTS OF THE GI BILL ON BASIC EDUCATIONAL OPPORTUNITY GRANTS: 1978-1979 SCHOOL YEAR

	Number of Veteran Students	Number of Veteran Recipients	Average BEOG Dollar Award to Veterans	Total BEOG Dollars Going to Veterans (Millions)
With GI Bill	1,230,000	94,000	840	79
Without GI Bill <u>a/</u>	820,000	89,000	871	78

SOURCE: CBO estimates.

a/ Assumes one-third of veteran students would not attend school without the GI Bill.

THE EFFECTS OF THE GI BILL ON SCHOOLS

Assuming that about one-third of all veteran students would not attend school without veterans' benefits, eliminating the GI Bill would have the following results in fiscal year 1979:

- o Total college enrollment would drop by three percent;
- o Tuition and fees collected by colleges would fall by just over one percent (\$138 million);
- o GI Bill costs would decline by \$2.9 billion; and
- o BEOG program costs would be only slightly affected.

Thus, even though it is the largest of federal student aid programs, the GI Bill does not have a great absolute impact on schools. Some schools, however, are undoubtedly affected more than others. For example, community colleges, whose revenues from state and local governments are highly dependent on enrollments, enroll a disproportionately large share of veterans, and hence these schools are affected to a much greater degree than are four-year colleges.

Without eliminating the GI Bill, its effect will decline in the future as the number of beneficiaries falls. By 1983, veterans induced to attend school by the bill will account for only one percent of all college enrollments, and these students will pay less than one percent of total tuition and fees.

CHAPTER IV. ISSUES AND OPTIONS

As stated at the outset of this paper, the Congress is now facing three questions about the future of the GI Bill:

- o Should the level of benefits be changed--that is, raised to keep pace with inflation or to provide higher benefits to veterans attending costlier schools?
- o Should the delimiting period be extended?
- o Should benefits for correspondence school and flight training be eliminated?

BENEFIT LEVELS: THE STATUS QUO VERSUS SOME ALTERNATIVES

On six occasions since the Vietnam Era GI Bill was enacted in 1966, the Congress has raised the benefit level. The first few increases were prompted by concern over the basic adequacy of the program. The more recent increases have been intended as cost-of-living adjustments. Each time benefit increases are considered, two questions are asked: Is the present program as generous as the World War II program? And should the benefits be based on the cost of tuition?

Comparison with World War II Benefits

Critics of the present GI Bill often state that it is not as generous as the World War II program, and that the present program should be altered to achieve parity. Before asking whether this complaint is even based on actual facts, a question of principle arises: Should there be parity?

Issue of Principle: Why Parity? The call for parity is based on the belief that today's veterans should be as generously treated as were the veterans of World War II. The policy of direct parity, however, is debatable. The two periods in question are very different. They are marked by disparate social and educational settings, and after Vietnam, the country

was not faced with the massive readjustment to a civilian economy that followed World War II.

These large differences make comparisons of veterans' benefits of questionable value. 1/ As the President's Commission on Veterans' Pensions (The Bradley Commission) wrote in 1956:

In case of future conflicts which lead to readjustment benefit programs for war veterans, full and careful attention should be given to adjusting such programs to fit the conditions existing at that time. Benefits should be consistent with veterans' needs, but current economic conditions and probably economic effects should also be taken into account. Since conditions differ, there is no sound reason for giving exactly the same "package" of benefits to each new group of veterans merely because it was given to a former group. 2/

The Bradley Commission's report has hardly put this issue to rest, however, and the subject of parity continues to arise in many policy discussions.

Issue of Fact: Is There Parity? How the present veterans' educational benefits compare to the World War II benefits is unclear. Because the World War II program provided a subsistence allowance and a separate tuition payment (of up to \$500), comparisons of the earlier program with the present uniform, lump-sum payments are not straightforward. An assessment of the parity between benefit levels can be derived by comparing the growth in GI Bill benefit levels with the three upward trends:

1/ For further discussion of the comparability of present with World War II benefits, see the background paper prepared by Michael K. Taussig for The Twentieth Century Fund Task Force on Policies Toward Veterans, Those Who Served, (The Twentieth Century Fund, 1974), and Educational Testing Service, "Final Report in Educational Assistance to Veterans, A Comparative Study of Three GI Bills", Senate Committee on Veterans' Affairs, 73 Congress, 1 sess. (1973).

2/ The President's Commission on Veterans' Pensions, Veterans' Benefits in the United States, Fundings and Recommendations, 1956.

in tuition levels; in the cost of living; and in personal income. Together, the first two indexes measure the direct cost of going to school. The third index measures the income lost while attending school or, in other words, the "opportunity cost" of attending school.

At least on paper, in terms of direct school costs, most veterans now in college are better off than their World War II counterparts. The threshold school cost (corrected for inflation) above which Vietnam Era veterans have less money left for living expenses than did World War II veterans and below which they have more for living expense benefits, is about \$1,060 a year for tuition, fees, books, and supplies. 3/ Approximately seventy-two percent of veterans attended schools in 1977-1978 that cost less than this threshold amount.

Veterans in public schools, on average, have more money (after correcting for inflation) to live on after they pay their tuition and fees than did World War II veterans (see Table 16). Vietnam Era veterans attending private schools, however, are generally worse off. Since only average tuitions were analyzed, veterans in very high-priced public schools are at a disadvantage, and veterans in low-cost private schools are at an advantage relative to World War II veterans. 4/

3/ The threshold cost was determined by subtracting comparable benefits for the fiscal year 1946-1947 (which had the highest number of World War II veteran trainees) from today's benefits (see the notes to Table 16). Because benefit levels changed during the World War II program, the analysis of comparability is sensitive to the exact year. For example, if the 1947-1948 year were compared to the present program, the threshold cost would be \$1,160 (which would imply that about 78 percent of today's veteran students have more benefits for living expenses than did World War II veterans). Or if the 1948-1949 fiscal year were used, the threshold cost would be \$810 (which would imply that about 57 percent of today's veteran students have higher benefits than did World War II veterans). Also, after World War II some schools provided low-cost housing for veterans. Therefore, the advantage to present public school students may be smaller than calculated.

4/ Eleven states (Connecticut, Delaware, Michigan, Minnesota,
(continued on page 31)

TABLE 16. COMPARISON OF VIETNAM ERA AND WORLD WAR II GI BILL BENEFITS TO VETERAN STUDENTS, BY TYPE OF SCHOOL: IN 1978 DOLLARS a/

Type of School	Vietnam Era			World War II	Difference Between Vietnam Era and World War II
	Benefit Payment	School Expenses	Benefits After School Expenses <u>b/</u>	Benefits After School Expenses <u>c/</u>	Benefits After School Expenses
Four-Year Public	3,564	822	2,742	2,504	238 more
Four-Year Private	3,564	2,691	873	2,504	1,631 less
Two-Year Public	3,564	579	2,985	2,504	481 more
Two-Year Private	3,564	2,016	1,548	2,504	956 less

SOURCES: College Scholarship Service, Student Expenses at Postsecondary Institutions, 1977-1978, 1977. Educational Testing Service, Final Report on Educational Assistance to Veterans, A Comparative Study of Three GI Bills.

a/ Comparison is for full-time students with an average number (1.5) of dependents.

b/ School expenses includes tuition, fees, books, and supplies. For World War II veterans, school-expense benefits up to \$500 were paid directly to the institutions.

c/ The 1946-1947 (the fiscal year with the highest number of trainees) living allowance of \$90 per month inflated by Consumer Price Index increase of 3.09.

It is possible that the distribution of students between low-priced and high-priced schools and between public and private schools is influenced by the current benefit structure. Patterns of attendance could change if the benefits were altered.

The earnings foregone by attending school must also be considered a cost of schooling. On the basis of whether the GI Bill compensates for foregone income, the present GI Bill benefits fall short of those from the World War II bill for most veterans. The best measure of the so-called opportunity cost of attending school would be the average earnings of similarly aged and educated veterans not attending school. Unfortunately, such data are not collected. The best available index is of personal earnings of all males over 14 years old who are in the labor force full time. This measure indicates that personal income grew by almost 400 percent between 1948 and 1976. By this standard, veterans who attend schools which cost more than \$380 are worse-off relative to World War II veterans. An additional factor also influences the assessment of compensation for foregone income. The unemployment rate of 4.0 percent for veterans in 1948 was far below that of 1976, 7.9 percent. Hence, even though those who were employed earned more in 1976, it was harder for them to find jobs.

In conclusion, the data do not allow a definitive answer as to whether the present benefits are as generous as those under the World War II GI Bill. In terms of the direct cost of attending school (tuition plus room and board), most veterans today are better off than earlier veterans. In terms of the opportunity cost of going to school (foregone earnings), some data indicate that, on average, today's veterans are worse off.

Befogging Issue: Problems With Comparisons. Even setting aside the different economic and social climates that followed the two wars, and the differences in tuition payments described above, the two GI Bill programs are still dissimilar. In many ways, the present program is more generous. Unlike the present program, the World War II program placed a limit on the total of

New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont) have public universities that cost enough to place Vietnam Era veterans at a disadvantage relative to World War II veterans.

benefits and earnings. Furthermore, the present program supplements the basic education allowance with a loan program for needy veterans, and all veterans are eligible for work-study jobs paid by the VA. Present GI Bill recipients can also obtain free tutorial assistance. Also, current veterans can start training any time in the 10-year delimiting period, while World War II veterans had to enter training within four years of leaving the service. World War II veterans could, however, speed up their subsistence payments to cover tuition costs over \$500.

Basing Benefits on Tuition Costs

The most controversial and debated issue concerning the GI Bill is whether the benefit level should be based on the tuition of a veteran's school. At present, the benefit is a flat sum (adjustable only for family size). The post-World War II program, however, had separate subsistence and tuition allowances. The benefits were changed in 1952 to a single, uniform payment with the Korean Conflict program. When the present GI Bill was passed in 1966, the single-payment schedule was retained.

Various efforts to institute a benefit plan to aid veterans in higher-priced schools have failed to be enacted. In 1974, the Senate included a partial tuition-assistance allowance in its amendments to the Vietnam Era Veterans' Readjustment Assistance Act of 1974 (ultimately enacted as Public Law 93-508), but the provision was dropped in conference. In 1977, the Senate approved a provision that would allow veterans to accelerate their entitlement, that is, to increase their monthly benefits by using their allotments faster, in order to meet high tuition costs. This provision was also dropped in conference and replaced with one allowing veterans to borrow up to \$2,500 to meet tuition costs above \$700. If a veteran successfully completes the program of education in which he or she is enrolled, up to two-thirds of the loan in excess of \$700 may be forgiven. ^{5/} The forgiveness provision is contingent upon state participation. For every one dollar the state contributes to reduce the loan principal (up to one-third of the loan), the VA will add one

^{5/} To participate, the VA requires veterans to take out a loan for the entire amount of tuition. The amount of the loan above \$700 is the subject to the forgiveness provision. The first \$700 must be repaid regardless.

dollar. The federal contribution is then charged against future entitlement at the rate of one month's entitlement for every \$311 forgiven. Since the forgiveness portion of the plan is dependent on state participation, extensive use of the plan is unlikely.

The Arguments Pro and Con. The proponents of some form of a variable tuition benefits schedule argue that, because some states have higher-priced public schools than others, the veterans in those states are at a disadvantage relative to the veterans in the low tuition-cost states. The contention is that a single, nontuition-based payment does not allow equal opportunities for veterans with equal military service.

Opponents claim that uniform payments result in equal benefits for equal service. (The dependents allowance, however, upsets the equal-benefit for equal-service principle.) They argue that, if veterans want to go to high-priced schools, they should make up the difference out of their own pockets, just as nonveterans must. And although some states charge higher tuitions than do other states, why should the federal government be in the business of counterbalancing different efforts by states in supporting postsecondary public education?

The issue is obviously laced with value judgments and arguments of what constitutes fairness and equity. Setting aside such subjective arguments, however, a factual question remains: Does the uniform payment result in unequal opportunities for veterans in different states?

Participation rates in different states are related to public school tuition costs. In general, states with higher tuition costs had lower participation rates than do states with lower tuition costs (see Table 17). Preliminary analysis of state participation and tuition rates indicates that tuition costs alone, however, account for less than one-third of the variations in participation rates. ^{6/} No other factors having

^{6/} The participation and tuition rates used were the same as those in Table 17. A simple regression was done to test how much of the variation in participation rates is explained by average public school tuition costs. Tuition costs significantly affect participation rates ($t = -4.691$), but the r^2 value of 0.30 indicates that 70 percent of the variations
(continued on page 36)

TABLE 17. GI BILL PARTICIPATION RATES AND AVERAGE PUBLIC COL-
LEGES AND UNIVERSITY TUITIONS, BY STATE a/

State	College Participation Rate (percent) <u>b/</u>	Average Public Tuition <u>c/</u> (in Dollars)
Arizona	61	242
South Dakota	55	564
California	53	133
Colorado	45	424
Utah	45	430
Alabama	42	409
Hawaii	42	160
Oregon	42	428
New Mexico	41	437
North Dakota	40	420
North Carolina	39	339
Texas	39	239
Florida	38	404
Oklahoma	38	373
Washington	38	398
Rhode Island	37	598
Idaho	36	339
Missouri	35	399
Nevada	35	443
Tennessee	35	346
Wyoming	35	362
South Carolina	34	520
Delaware	33	481
Michigan	33	529
Nebraska	32	500
Illinois	31	443
Kansas	31	433
Mississippi	31	358
Kentucky	30	500
Massachusetts	30	395
Montana	30	459
New Hampshire	29	829
West Virginia	27	445
Louisiana	28	303

(continued)

TABLE 17. (Continued)

State	College Participation Rate (percent) <u>b/</u>	Average Public Tuition <u>c/</u> (in Dollars)
Maine	28	534
Maryland	27	526
New York	27	459
Wisconsin	27	445
Georgia	26	405
Virginia	26	528
Arkansas	25	389
Minnesota	24	574
Ohio	24	738
Alaska	23	445
Connecticut	23	487
Iowa	23	547
Indiana	20	657
New Jersey	19	525
Pennsylvania	19	832
Vermont	17	1000

SOURCES: U.S. Veterans Administration, Veterans Benefits under Current Educational Programs, June 1976, and The States and Higher Education: A Proud Past and a Vital Future, Supplement (Berkeley, Carnegie Foundation for the Advancement of Teaching, 1976).

a/ Excludes District of Columbia.

b/ The participation rates are derived from the number of Vietnam Era veterans ever receiving benefits by state of school attended divided by the number of Vietnam Era veterans residing in that state in 1976.

c/ Average tuitions computed by weighting average 1973-1974 tuitions in universities, colleges, and two-year colleges by full-time equivalent enrollment in each segment.

significant effects on state participation rates could be identified, leaving over two-thirds of the variations unexplained. Thus, even if the GI Bill paid all the tuition costs, the participation rates would probably remain substantially uneven.

Is There a Problem? Given the finding that participation rates vary among states, and that they vary in relation to public tuition charges, whether there is a problem depends on one's views of the federal government's responsibility. For those who feel the government should provide equal benefits for equal service, and then remove itself from the situation, there is no problem. But for those who feel the government should insure equal opportunities, there is a problem.

Alternative Benefit Levels. Three basic modes of changing benefits exist:

- o Across-the-board increase. All benefits would be increased by a flat percent, and the present benefit structure would be retained. All the benefit increases since 1966 have been of this sort.
- o Tuition assistance. Veterans would pay some initial amount of the tuition, and the VA would pay some percentage of the remainder. A separate subsistence allowance would be given. Proposals range from a full tuition payment such as was paid under the World War II program to one that pays 50 percent of tuition between \$700 and \$1,700. The loan forgiveness program would be terminated.
- o Accelerated entitlement. Veterans attending schools that cost more than some threshold amount could use their future benefits faster in order to increase their monthly benefits now. For example, in 1977 the Senate passed a bill (S. 457) with an accelerated entitlement provision, which would have

are unexplained by tuition costs alone. For lack of other data on veterans by state, data on the states' per capita incomes, levels of educational attainment, and unemployment rates were used. None of these variables, however, proved to have significant effects on the state participation rates. Hence, even if tuition charges were the same in every state, different states would still have significantly different participation rates.

allowed veterans to pay tuition exceeding \$700 at a cost to their entitlement of one month for every \$311. The loan forgiveness program would be terminated.

A related alternative is to tie benefits, whatever their form or structure, to a cost-of-living index so that benefits would automatically increase to keep pace with inflation. The Congress would retain its right to pass additional increases if it so desired. Such an "indexing" plan would be similar to the way in which Social Security benefits are automatically increased every year.

Analyzing the Alternatives. Each alternative can be evaluated against several criteria, including:

- o Impact on creating equal opportunities. Would the proposal result in an evening-out of participation rates?
- o Impact on equal benefits. Would veterans of equal service (and family size) receive equal benefits?
- o Cost. How much would the proposal add to the program's costs?
- o Effect on schools. First, what would be the effects on enrollments? Second, how much new GI Bill money would the schools receive? Third, would the proposals change the relative prices of schools to veterans, thereby altering the market for education?

A fifth concern about benefits is how changes would affect the amount of fraud and abuse. After World War II, many short-lived profiteering schools were started to take advantage of the GI Bill; some schools raised their tuitions and charged veterans more than other students. There were many difficulties in assessing what rates the VA should pay schools. ^{7/} At least partly in response to these situations, the separate tuition payments to schools were ended with the Korean Conflict bill in 1952.

^{7/} For a review of the problems with the World War II program, see Report of the House Select Committee to Investigate Educational and Training Programs Under the GI Bill, H. Rep. 3293, 88 Cong. 2 sess. (1951).

A concern today centers around veterans receiving more benefits than they should. Some benefit recipients withdraw from classes or drop out altogether without notifying the VA. In some instances, schools allow veterans to remain enrolled despite no academic progress. The General Accounting Office reported that, as of July 1977, the VA made overpayments for one reason or another over the life of the Vietnam Era GI Bill totaling \$2.5 billion, of which \$460 million remained uncollected. 8/ The VA feels that a tuition-assistance or accelerated entitlement program could exacerbate this problem. 9/

Detailed assessment of the risks of fraud and abuse is outside the scope of this analysis, but fears of rampant abuse appear unfounded. 10/ The problem of schools raising their tuitions to take advantage of tuition assistance could be avoided by allowing tuition payments based on 1978 levels (with increases each year based on an index of higher education costs). Also, because veterans do not constitute as large a portion of schools' enrollments as they did after World War II, most schools have much less incentive to increase tuition in response to change of benefit levels. 11/ Finally, under most proposals, veterans would be paying a percent of the costs; thus they would have some incentive to avoid overly high-priced schools.

A second possible problem, which is a continuation of a present problem, would be students' untruthfully claiming attendance at, or the intention to attend, a high-cost school in order

8/ U.S. General Accounting Office, Further Actions Needed to Resolve VA's Educational Assistance Overpayment Problem, HRD-78-45, February 17, 1978.

9/ H.R. 2231 Proposing Accelerated Entitlement and Other Changes in Veterans Education and Training Programs; H.R. 8419 Proposing Tuition Assistance and Related Measures, Hearings before a Subcommittee of the House Committee on Veterans' Affairs, 95: 1(1977), p. 17.

10/ This is also the conclusion made by O'Neill and Ross, Appendix A.

11/ Some schools that have large veteran enrollments may be induced to increase tuitions, but veterans as a whole make up only 9 percent of college enrollments.

to receive the extra benefits. To guard against this, students could be issued tuition vouchers, which the schools could then redeem at the VA. Or the students could be offered a loan at the start of the year so that tuition could be paid. Then, with proof of cost and attendance, the loans could be forgiven (in the case of tuition assistance), or charged against future entitlement at the rate of one month for every \$311 (in the case of accelerated entitlement). The next year's benefits could be withheld until proof or repayment was received. ^{12/} Clearly, though, each of these possible solutions imposes some increased administrative difficulties.

The Status Quo. The present GI Bill provides equal benefits (except for dependent allowances) but unequal opportunities. Without any changes, the program would cost about \$2.6 billion in 1979. About 390,000 students would be induced to go to school by the present benefits in 1979, ^{13/} and schools would receive about \$145 million from them. The present program does not alter relative tuition costs.

An Across-the-Board Increase. If the current policy were continued, an across-the-board increase would maintain equal benefits (adjusted for family size) and unequal opportunities. A cost-of-living (6 percent) increase would cost about \$300 million in 1979. It is estimated that the increase would result in about 58,000 more veterans attending school, and schools would receive an additional \$24 million from them. A uniform increase would not alter relative tuition costs.

Tuition Assistance. Depending on the provisions of the particular proposal, a tuition-assistance plan would improve to varying degrees the educational opportunities of veterans. But, as described above, even if 100 percent of tuition were paid, there would still be significant variation in participation rates in different states. Veterans attending higher-cost schools would receive greater benefits than would veterans in low-cost public schools, hence adoption of a tuition-assistance proposal would result in different benefits for similar veterans.

^{12/} This provision was contained in S. 457, which was passed by the Senate in 1977.

^{13/} This assumes that one-third of the veteran students would not attend school without the GI Bill.

A typical tuition-assistance plan (50 percent of tuition between \$500 and \$1,500) would cost approximately \$320 million in 1979. Table 18 shows five-year estimates for different plans. With tuition assistance, veteran enrollments would increase by approximately 60,000 in 1979, and an additional \$70 million in GI Bill funds would go to schools.

Under a variable tuition plan, the relative prices of different schools to GI Bill beneficiaries would be altered. For example, in a plan that pays 50 percent of tuition between \$500 and \$1,500, the difference between a \$400 school and a \$2,400 school would fall from \$2,000 to \$1,500, making the higher-cost school relatively less expensive. Such a change enhances the attractiveness of private and other higher-priced schools.

TABLE 18. PROJECTED COSTS OF DIFFERENT TUITION-ASSISTANCE PLANS:
IN MILLIONS OF DOLLARS, FISCAL YEARS 1979-1983

Proportion of Assistance on Different Tuition Amounts	1979	1980	1981	1982	1983
70 Percent of \$400-\$1400 Tuition	450	430	390	330	260
50 Percent of \$500-\$1500 Tuition	320	300	280	240	180
50 Percent of \$700-\$1700 Tuition	240	230	210	180	140

SOURCE: CBO estimates.

NOTE: Estimates assume termination of current program of loan forgiveness in states that opt to participate. The 1979 costs are in addition to status quo program costs, the 1980 to 1983 costs are in addition to current policy costs. All costs are for full years without start-up expenses.

Accelerated Entitlement. More equal opportunities could also be approached by an accelerated entitlement provision--that is, a provision that allowed veterans to take more than a month's worth of their benefits at once instead of spreading them over a long period. But since a veteran making use of such a provision would be borrowing against the future, the improved opportunities would only be temporary. Only a few veterans, however, now use their full entitlements, and for those veterans who do not intend to use their full entitlements, the use now of what would be left unused later represents a clear gain. Since veterans of equal service and family size would be eligible to receive the same total amount under accelerated entitlements, equal benefits would be available to all.

Accelerated entitlement would increase costs in the short run as people used their future benefits (see Table 19). But future costs might decline if benefits were used up permanently, unless acceleration allowed many more veterans to use their full entitlements.

TABLE 19. PROJECTED COSTS OF ACCELERATED ENTITLEMENT FOR VETERANS' GI BILL TRAINING: IN MILLIONS OF DOLLARS, FISCAL YEARS 1979-1983

	1979	1980	1981	1982	1983
Additional Costs of Accelerated Entitlement	260	250	230	190	150

SOURCE: CBO estimates.

NOTE: Basically, the provision would allow veterans to use their future entitlements to cover tuition costs over \$1,000 at a rate of one month's entitlement for every \$311 in excess tuition. See also note to Table 18.

With the accelerated entitlement provision contained in Table 19, veteran enrollments would probably increase by about 40,000 in 1979. The extra funds going to schools would amount to about \$60 million. Accelerated entitlement would, like tuition

assistance, alter the relative cost of schools to veterans with private schools becoming relatively more affordable.

The following table summarizes the net effects of introducing both tuition assistance and accelerated entitlement, comparing these possible changes with the status quo and the effects of an across-the-board cost-of-living increase.

Another Choice: Indexing Benefits

The Problem. A twofold problem exists in the present, fixed-sum GI Bill benefit. First, when the Congress fails to increase benefits for inflation, benefits in effect diminish, leaving the veteran with less assistance in getting an education. Second, the uncertainty of benefit increases can diminish the ability of veterans to plan their educational futures.

The Congress could, of course, simply adjust the benefit levels annually to allow for inflation. To date, however, it has not. Up to now, the Congress has passed increases at intervals ranging from one to three years; during the interim periods inflation has temporarily reduced the real value of benefits.

A possible solution to the Congress' passing a benefit increase every year or two is to index benefits--that is, to tie them directly and permanently--with the cost of living, so that benefits automatically increase to keep pace with inflation.

The Consequences of Indexing. Whether or not there is a need for indexing GI Bill benefits depends entirely on how the Congress decides to approach the matter of the effects of inflation. If, on the one hand, the Congress decided to enact a cost-of-living adjustment each year, there would be no need for indexing the benefits. If, on the other hand, the Congress were not to adjust the benefits for five years, the alternative of indexing would make a radical difference. And if the Congress increased the benefits every two years, as it has usually done in the past, the alternative of indexing would affect beneficiaries, schools, and federal outlays, but have little impact on program administration. These effects are summarized as follows:

TABLE 20. THE EFFECTS OF ALTERNATIVE BENEFIT INCREASES BY SELECTED CRITERIA

Criteria	Status Quo	Across-the-Board Cost-of-Living Increase (Current Policy) <u>a/</u>	Tuition Assistance <u>b/</u>	Accelerated Entitlement <u>c/</u>
		Yes	No	Yes
Equal Benefits	Yes	Yes	No	Yes
Equal Opportunities	No	No	Better	Better <u>d/</u>
Costs (in Billions of Dollars)				
Fiscal Year 1979	2.600	0.300 more	0.320 more	0.260 more
Fiscal Year 1983	0.900	0.780 more	0.185 more	0.150 more
Effects on Schools				
Enrollments <u>e/</u>	1,172,000	58,000 more	60,000 more	40,000 more
Millions of GI Bill Dollars Going to Schools <u>f/</u>	145	24 more	70 more	60 more
Impact on Relative Prices	None	None	Large Change	Small Change

SOURCE: CBO estimates.

a/ All benefits would be increased by the rate of inflation (6 percent for fiscal year 1979) each year.b/ The plan would cover 50 percent of tuition costs between \$500 and \$1,500. The costs and effects given for fiscal year 1983 are relative to the current policy base. See note to Table 18.c/ The plan would allow people to use their future entitlement if their tuition exceeded \$1,000. The costs and effects given for 1983 are relative to the current policy base. See note to Table 18.d/ In the long run, opportunities would decrease as the future benefits were exhausted.e/ Estimates refer to fiscal year 1979 and are based on a CBO model.f/ Estimates refer to fiscal year 1979. Status quo estimate is for money from induced students, who are assumed to make up one-third of all veterans students.

- o Indexing would halve the time between inflation adjustments. The problem of benefits lagging behind inflation would be remedied and uncertainty would be eliminated.
- o Indexing would increase enrollments (see Table 21). Schools, in turn, would indirectly receive more federal funds.
- o Federal outlays would also increase with indexing. The largest increases would be in the years the Congress would not have acted. In those years benefits as well as enrollments would be higher. 14/

TABLE 21. PROJECTED EFFECTS OF INDEXING GI BILL BENEFITS ON ENROLLMENTS, COSTS, AND FEDERAL FUNDS TO SCHOOLS: IN MILLIONS OF DOLLARS, FISCAL YEARS 1978-1982

	1978	1979	1980	1981	1982
With Indexing					
Veteran Students (Millions)	(1.42)	(1.23)	(1.06)	(0.86)	(0.70)
Program Costs	3,145	2,866	2,645	2,292	1,969
Funds to Schools	536	504	469	413	359
Without Indexing <u>a/</u>					
Veteran Students (Millions)	(1.42)	(1.17)	(1.00)	(0.81)	(0.66)
Program Costs	3,145	2,555	2,500	2,032	1,861
Funds to Schools	536	480	443	387	340

SOURCE: CBO estimates.

a/ Benefits are assumed to be increased with inflation by the Congress every two years.

14/ In the past, the Congress has passed benefit increases which exceeded cost-of-living increases. To the extent indexing might diminish such activity, money would be saved. Indexing would not, however, preclude additional increases above the cost-of-living adjustments.

- o Indexing would introduce no significant administrative problems or procedures. Once a year, the VA would simply increase benefits with the the cost of living.

Obviously, the effect of indexing on the Congress itself would be to lighten the Members' workload. They would not have to raise, debate, and decide on the question on an annual, biennial, or other basis. The Congress could, however, pass increases in addition to the automatic cost-of-living adjustments.

DELIMITING PERIOD

What length of time should veterans have to use their benefits? The history of the GI Bill indicates a gradual lengthening of the delimiting period. As was pointed out earlier, in the World War II program, veterans had to begin training in four years after leaving the service, after which time their benefits expired in a maximum of another five years--in other words, the maximum delimiting period was nine years. The Korean Conflict Bill set an eight-year delimiting period, with the provision that training had to begin within three years after release from the service. The Vietnam Era Bill excluded the provision requiring initiation of training within three years of leaving the service, but it retained the eight-year delimiting period. The 1974 amendments extended it to 10 years to allow veterans eligible in the early years of low benefits to enjoy the currently more generous benefits. ^{15/} As the law stands now, veterans' tuition and subsistence benefits expire after 10 years, although loans are available to veterans enrolled full time at the end of the tenth year with unused entitlement who wish to continue their studies in years 11 and 12.

The Delimiting Period Debate

Some people argue that the present delimiting period should be extended. Others argue for a shorter period. Still others maintain that the present period is just about right.

^{15/} When the present program was enacted, the monthly benefits of \$100 were lower than those provided during the Korean Conflict program 14 years earlier.

Too Short. Those who feel the present delimiting period of 10 years is too short take one of the following two positions.

First, some contend that the period should be extended by two years to compensate further for the low benefits of the first years of the program. Prior to 1972, the real benefits were substantially below present levels (see Table 22): As a result, veterans discharged between 1966 and 1972 could not receive the current level of real benefits for the entire period of their eligibility.

TABLE 22. COMPARISON OF PRE-1972 REAL GI BILL BENEFITS WITH PRESENT-DAY BENEFITS a/: SELECTED SCHOOL YEARS 1966-1977

School Year	Benefits in Current Dollars	Benefits in Constant 1977-1978 Dollars <u>a/</u>
1966-1967	100	190
1967-1968	130	239
1970-1971	175	276

1972-1973	220	322
1974-1975	270	325
1976-1977	292	312
1977-1978	311	311

SOURCE: Veterans Administration

NOTE: Constant dollars determined by inflating benefits by Consumer Price Index. Current dollar benefits are those that were in effect for most of the school year. Rate increases became effective in October 1967, February 1970, October 1972, December 1974, October 1976, and November 1977.

a/ Monthly benefits for single, full-time veteran students.

A 12-year delimiting period would requalify those who left the service before October 1968 and extend the benefits of those

who were discharged after September 1968. With the two-year extension, everyone would have been eligible during at least six years for the present level of benefits. This argument does not support an extension of the delimiting period for veterans who left the service after 1972, but some people feel that fairness requires that the extension include all veterans, regardless of when they were discharged. A modified version that will also be examined is to extend the delimiting period for only those training full time at the end of 10 years.

Other people feel that the period should be extended indefinitely, arguing that veterans earn their benefits by having had their lives and educations disrupted. They should be able to use the benefits whenever they wish. Why, they ask, should anyone care if the benefits are used now or in 30 years?

Too Long. The people who feel that the delimiting period is already too long and that it should be shortened base their opinions on the fact that the GI Bill is specifically a readjustment program--that is, not a reward for service but an aid for the return to civilian life. As such, the benefits should be limited to the period during which the veteran reestablishes himself as a civilian. As the Bradley Commission wrote:

Benefits that are used after the readjustment is completed are not, in any real sense, readjustment benefits; and benefits that are available over too long a period may actually discourage the veteran from taking steps, or making decisions, which are needed for his readjustment. 16/

By most standards, readjustment takes place within 10 years of a veteran's leaving the service.

Just Right. The people who feel that 10 years is just about the right period of time share some of the views of each group. They feel the delimiting period should be reasonably short, but that the low benefits in the 1960s were unfair to persons discharged then. Hence, two years tacked onto the original eight-year period compensates those veterans who were eligible during the years of low benefits. Any extra time would make the program more than strictly a readjustment program.

16/ The President's Commission on Veterans' Pensions.

Alternatives

The present program and four alternatives to it are examined here. The alternatives are: a two-year extension for all veterans who were eligible under the present law, a two-year extension for those in training full time at the end of 10 years, an unlimited extension for all veterans who were eligible under the present law, and a two-year reduction of the delimiting period. Each alternative would replace the present loan program.

The four criteria used in the analysis follow:

- o Access to Present-Level Benefits. Are Vietnam veterans who were released during the early period of low benefits afforded access to present-level benefits?
- o Consistency with Legislative Intent. How close is the program's definition of the readjustment period to that of past legislation? Since the World War II and Korean Conflict bills had delimiting periods of nine and eight years, and since the present delimiting period was lengthened from eight to 10 years only to compensate for originally inadequate benefits, this analysis will use eight years as a standard for judging the appropriateness of delimiting periods.
- o Cost.
- o Impact on Schools. How many new veterans would be induced to attend schools? How much more GI Bill money would schools receive?

Two Year Extension (for all post-Korean Conflict and Vietnam Era veterans). With an extension, veterans eligible during the early years of low benefits have more opportunity to use the more generous assistance currently provided. The need for the provision, however, is questionable since all veterans have already been eligible or will be eligible during at least four years of benefits of the present level. That is, veterans discharged between 1966 and 1972 received the lower-level benefit for each year up to 1972 and the higher benefit for each subsequent year. All veterans discharged after 1972 have had access to a full 10 years of higher benefits. An extension would also move the GI Bill program further away from a reasonable definition of a readjustment program.

Based on the experience following the extension of the eight-year to the 10-year delimiting period, it is estimated that approximately 500,000 veterans released between 1956 and 1968 would take advantage of the added two years in fiscal year 1979. This represents about 40 percent of the veterans now enrolled in schools. Accordingly, costs would rise by about \$1 billion. The amount of funds going to schools would rise by some \$205 million (see Table 23).

Limited Two-Year Extension (for veterans enrolled full-time at the end of their delimiting periods). The discussion of access to present level benefits and consistency with legislative intent in regard to the two-year extension for all post-Korean and Vietnam Era veterans applies here. Additional costs, however, would be about \$160 million. New enrollments would number 70,000, and the amount of GI Bill funds going to schools would increase by about \$29 million

Open-Ended Extension. This alternative would allow all veterans to utilize all the present benefits to which they are entitled. In its first two years, an open-ended extension would have much the same effects as a two-year extension for all post-Korean and Vietnam Era veterans. The only possible difference is that veterans would not feel pressed to use up their benefits within two years. The largest impact, however, would come in the more distant future, when people slowly used up their entitlements. Future absolute impacts are difficult to predict, except that the magnitude of the effects would doubtlessly be significant. Furthermore, since the program would continue until all veterans exhausted their entitlements, the administrative functions and difficulties would continue for a considerable time.

In addition, the proposal runs counter to the basic purpose of the GI Bill, to provide readjustment assistance. Few would consider education 20 years after someone is discharged consistent with readjustment needs. One can imagine retired veterans going to school to supplement their incomes. Continuing education and income security are not among the purposes of the GI Bill as stated by the Congress.

Two-Year Reduction. Such a reduction would bring the delimiting period back to the original readjustment time. It would certainly hurt the veterans now planning on using the benefits in the last two years. Those hurt most would be the veterans who

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TABLE 23. ANALYSIS OF DELIMITING PERIOD ALTERNATIVES BY SELECTED CRITERIA

	Current Policy	Two-Year Extension <u>a/</u>	Limited Two-Year Extension <u>b/</u>	Open- Ended Extension	Two-Year Reduction
Impact on Access To Present Benefits	---	More	Little Change	More	Less <u>c/</u>
Consistency with Readjustment Purpose	OK	Less	Less	None	More
Cost in 1979 (in Billions of Dollars)	2.9	1.0 more	0.16 more	1.0 more	0.62 less
Impact on Schools <u>d/</u>					
Enrollments	1,230,000	500,000 more	70,000 more	500,000 more	265,000 fewer
Millions of GI Bill Dollars to Schools	168 <u>e/</u>	205 more	29 more	205 more	109 less

a/ Would apply to all post-Korean Conflict and Vietnam Era veterans.

b/ Would apply to only veterans training full-time on their delimiting dates.

c/ If the reduction were applied only to persons now in the service, the other impacts would not be felt for eight years.

d/ Estimates are for fiscal year 1979.

e/ Funds from GI Bill-induced students, who are assumed to make up one-third of all veteran students.

were discharged between 1969 and 1971, during the period of low benefits. This problem could be minimized, however, by not applying the provision to the people who have already left the service.

Reduction to an eight-year delimiting period would cut program costs by about \$620 million, and enrollments would fall by approximately 265,000 students. The amount of GI Bill funds going to schools would drop by about \$109 million (see Table 23).

If, for reasons of equity, the reduction were only applied to those who have not yet left the service, then the first effects would not be felt until eight years hence. The exact amounts of the impacts would be lower then, but the general direction of the impacts would remain the same.

What if Benefits Were Changed?

If present benefits were determined to be inadequate, then the analysis of delimiting period extensions would change. The criterion of access to present level benefits is based on the current, lump-sum benefits of \$311 per month for full-time single veterans. If present benefits were greatly increased, or if a form of accelerated entitlement or tuition assistance were adopted, then past years' benefits would likely prove to be less than the new benefits.

CORRESPONDENCE AND FLIGHT TRAINING

In its fiscal year 1979 budget, the Administration proposed eliminating benefits for correspondence school and flight training. Similar proposals were advanced in the 1977 and 1978 budgets. Instead of eliminating those types of training in the 1977 budget, the Congress imposed a minimum training time of six months on correspondence school students, and it did not adjust flight benefits for inflation as it did for all other types of training. No specific action was taken on benefits for correspondence school and flight training in the 1978 budget process.

Opponents of GI Bill support for correspondence school and flight training feel that the training is not useful to veterans, especially in terms of job placement, and that both veterans and the federal budget would be better off if it were eliminated.

Eliminating the Correspondence Training

Correspondence school trainees have the lowest completion rates and among the lowest skill-use rates of all veteran students. Of those who do complete their programs, just over one-half report making substantial use of their training. 17/ Furthermore, correspondence training appears to have little or no impact on earnings of veterans. 18/

On the other hand, correspondence training is relatively inexpensive to veterans and to the VA. Ninety percent of tuition is covered by the GI Bill, and since correspondence courses are taken during spare time, they seldom cause veterans to lose any income. Furthermore, correspondence training is convenient, especially to veterans living far from other schools. For some veterans, correspondence training may be the only available opportunity for schooling. For the VA, the average cost of correspondence training is easily the lowest of all training programs (see Table 24). If benefits for correspondence training

TABLE 24. ANNUAL COST OF CORRESPONDENCE TRAINING COMPARED WITH OTHER TYPES OF GI BILL-SUPPORTED SCHOOLING: IN DOLLARS, FISCAL YEAR 1979

Type of Training	Average Cost per Student to the VA
College	2,300
Vocational/Technical	2,031
Flight	1,776
Correspondence	489

SOURCE: Veterans Administration, Fiscal Year 1979 Budget Presentation, Vol. I, General Operating Expenses, Benefit Appropriations and Funds, January 1978.

17/ Veterans Administration, Training by Correspondence Under the GI Bill, and U.S. General Accounting Office, Veterans Response to GAO Questionnaire. The completion rate is between 41 and 43 percent. The overall skill-use rates ranged from 42 to 44 percent.

18/ O'Neill and Ross.

were eliminated, about 66,000 veterans would be affected at a savings of about \$32.2 million.

Eliminating Flight Training

Opponents of GI Bill support for flight training feel that veterans use it for avocational, not vocational, purposes, and that it does little to aid readjustment. Available data lead to conflicting conclusions. VA data indicate that flight training has among the highest completion and skill-use rates of all the GI Bill training programs. 19/ But GAO data indicate flight training has the third lowest completion rate and the lowest overall skill-use rate. 20/ An additional problem is that the data on skill-use rates may include part-time and full-time employment. Most flight trainees who report using their skills are employed as pilots on only a part-time basis. Hence, since flight training skills are not easily transferrable to occupations other than pilot, the impact on full-time employment is low. To guard against veterans' using flight training for purely recreational purposes, the VA has built in some institutional restraints. Veterans must already have a private pilot's license and they must pay 10 percent of the tuition charges.

If benefits for flight training were eliminated about 27,000 veterans would be effected at a savings to the VA of approximately \$48 million.

19/ Veterans Administration, Training by Correspondence Under the GI Bill. The reported completion rate was 71 percent, and the reported skill-use rate was 68 percent.

20/ U.S. General Accounting Office, Veterans' Responses to GAO Questionnaires. The reported completion rate was 52 percent, and the reported skill-use rate was 41 percent.